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Brazil May Soon Be World's No. 2 Agricultural Exporter

By Samuel O. Ruff

Brazil's new, aggressive farm policy is paying off. This year, Brazil's agricultural exports are expected to reach a record level of $8 billion, boosted by sales from such commodities as coffee, soybeans, cocoa, and orange concentrate.

If export returns from Brazilian coffee, soybeans, cocoa, and orange concentrate reach anticipated levels in 1977, Brazil could finish the world farm export race in second position (now held by France), surpassed only by the United States.

Forecasts for the entire year point to a possible 33-percent gain in agricultural exports to a record $8 billion, compared with $6 billion in 1976.

Reports for the first 6 months of 1977 (January-June) indicate the Brazilian Government's top priority program for agriculture has paid off. Hoping to garner enough foreign exchange from farm exports to pay for the country's petroleum imports, Brazil ended the first half of the year with its first trade surplus in several years—$235 million.

The total of the agricultural component in Brazil's January-June exports of $6.2 billion is not yet known, but three commodities—coffee, soybeans, and sugar—accounted for some $3.25 billion.

Despite a severe drought in February-March that affected one-third of Brazil's major productive area (including Paraná), production for most major commodities—including the key export crops of coffee and soybeans—is up.

Favorable policies by the Brazilian Government included $15.76 billion in agricultural credit, a key wheat producer price, and a broad list of minimum support prices for cotton, beans, sugarcane, and milk.

Emphasis on cutting inflation, which amounted to 46 percent in 1976, altered some agricultural incentives, and included elimination of the 40-percent subsidy on fertilizer.

Principal policy developments in 1977 included export taxes, or quotas, to ensure a domestic supply protected by price freezes to avoid inflation. Prime examples included the contribution tax on soybeans, the receipts of which subsidized the price freeze on soybean meal until August 18, when it was removed, and the new coffee quota system that requires exporters to supply one bag (60 kg each) to the domestic market for every two bags exported.

Other policy developments included subsidies; in 1977 Brazil provided subsidies for the three export commodities—cotton, corn, and rice—because domestic prices are high, compared with world market prices.

U.S. agricultural exports to Brazil during October 1976-July 1977 dropped some 21 percent in value to $272.5 million, compared with $346.5 million during the same period a year earlier.

Major losses were in shipments of wheat, edible tallow, green peas, and fresh pears. U.S. farm export gains during October-July were in shipments of live animals (particularly chicks and breeding cattle), dried beans, and hops.

Coffee. Coffee exports, which were valued at $2.15 billion during January-June, may reach $3.2-$3.3 billion for all of 1977, if prices—which are now showing a tendency to wobble—hold up.

Buyer resistance caused the market to stagnate in July, and Brazil used this period to end its practice of supplying domestic roasters with coffee from stocks at a subsidized price, and to set up the new quota system that went into effect on July 1.

The general plan is to channel 500,000 bags of coffee monthly to the domestic market and 1 million bags to export. The coffee export tax was raised to $160 per bag on July 20.

Brazil's policy of maintaining an export registration price of $3.20 per pound in the face of a declining market indicates an attempt to wait until roasters exhaust their stocks and then to reenter the market when demand forces prices to rise again. The ICO composite price for green coffee, New York, of $2.70 per pound in June was well below the $3.20 registration price.

Total Brazilian coffee production for 1977 is estimated at 17 million bags—up 80 percent from last year's output, as weather conditions have facilitated recovery from frost-damaged areas.

Cocoa. Exports of cocoa beans and products, which earned $357 million in 1976, may earn well over $400 million in 1977, owing to the record high price for Bahia cocoa of $5.40 per kilogram. The current export tax on cocoa is 10 percent.

The 1976/77 cocoa harvest has been affected by pod rot, and total output is down 7 percent to 240,000 tons, compared with 257,000 tons a year earlier.

Soybeans. The value of Brazilian exports of soybeans and products during January-June was placed at $891 million, compared with $753 million during the same period a year earlier.

However, an export tax scheme that Brazil undertook as an anti-inflation measure for financing a price freeze on soybean meal may have cost the country as much as $100 million in export earnings.

Soybean exports were suspended in March, pending the establishment of a 7-percent export tax, the receipts of which would have compensated crushers for a price freeze on soybean meal—set at $188.11 per ton. The goal of this move was to insulate domestic meal supplies from rising world prices that would ripple through feed prices to poultry, milk, and eggs.

An unexpected rise in soybean prices on the Chicago market to over $350 per ton would have been a bonanza for Brazil if most of the country's soybean crop could have been exported before the arrival of the large U.S. crop on the world market.

However, the Brazilian Government aroused exporter resistance at this point

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Left: Working in a rice field near Belem, Brazil. With a large carryover of rice from the 1976 harvest, Brazil will have enough for considerable rice exports in 1977 as well.

by raising the export tax to 12 percent. Exporters withdrew from the market, expecting the Brazilian Government to reduce the tax. The tax remained firm, however, through June 30, when it dropped to 7 percent.

Soybean exports as of August 14 were only 50 percent—1.766 million tons—of the 3.5 million tons forecast to be exported for the 1977/78 season. Meanwhile, the Chicago price for soybeans dropped to $227.62 per ton on July 28. Ironically, the soybean meal price of $188.11 that the Brazilian Government had tried to protect was well above the Decatur price of $162.50 per ton.

It is estimated that an export registration drop of over 1 million tons of Brazilian soybeans between 1976 and 1977 occurred, meaning a loss of at least $122.4 million.

Brazilian soybean production in 1977—already harvested—was up 11 percent to 12 million tons. The increase, however, was less than expected, owing to the drought in Paraná that reduced the harvest from the original estimate of 12.6 million tons. A crush of 6.6 million tons is expected to provide 5 million tons of meal and 1.3 million tons of oil.

Cotton. Brazilian cotton exports, which were only 5,579 tons in 1976, are expected to show a revival in 1977. The margin between the estimated domestic consumption of 450,000-460,000 tons and calendar year production of 545,000 tons leaves room for both stocks and exports. In May, the Brazilian Government set up a subsidy scheme payable in cotton to offset the price differential between domestic and international prices. In June, the subsidy was computed at 8 percent.

The drought had no effect on the volume of Brazil's cotton harvest in 1977, although it did affect the quality. The total 1977 crop is forecast to be 43 percent higher than the harvest of 1976, but lower international and domestic prices are expected to cause a reduction in plantings in late 1977.

Rice. Brazil has a large stock carryover of 1.1 million tons of rice (milled basis) from the 1976 harvest that will provide for considerable rice exports in 1977, even though rice was the principal victim of the drought that hit the central states and frontier areas of Minas Gerais and Goias, and the 1977 crop was down 15 percent to 7.2 million tons (paddy basis).

Rice export commitments of 315,000 tons for 1977/78 include 30,000 tons to Poland and a reported 180,000 tons of lower quality rice (40 percent brokens) to African and Asian countries.

During the first 6 months of 1977, a subsidy of $100 per ton was needed because domestic prices were higher than international prices. Sales were suspended in May, pending an assessment of supplies for domestic consumption.

Corn. The drought-reduced

corn harvest of 18.8 million tons is still a record output—5 percent greater than that of 1976. In the past 2 years, Brazil has developed a larger commercial corn belt stretching northwest from São Paulo to the Minas triangle and Brasília. Corn exports for 1977/78 (April-March) are estimated at 2 million tons, compared with 1.511 million in 1976/77. The Brazilian Government is providing an 8-percent subsidy, payable in corn, on exports because internal prices were high compared with international prices. On July 20, the subsidy was raised to 20 percent of the f.o.b. price.

"Hoping to garner enough foreign exchange from farm exports to pay for the country's petroleum imports, Brazil ended the first half of 1977 with its first trade surplus in several years."

Orange concentrate. Exports of this commodity in 1977 are forecast as 200,000 tons, just below last season's record high of 210,000 tons. But higher average export prices this year (ranging from $900 to $1,125 per ton, compared with the 1976 average of $481 per ton) could yield Brazil export earnings of some $200 million in 1977, in contrast to $101 million last year.

As part of its export program in the Santos corridor, Brazil has developed frozen storage capacity for orange concentrate. Installed storage capacity at production points is 105,000-115,000 tons; at Santos—the only port of shipment—frozen storage capacity is 40,000 tons.

Production of orange concentrate is expected to be 210,000 tons in 1977/78, the same as in 1976/77.

Sugar. Brazilian sugar exports during the first 6 months of 1977 were 987,000 tons—valued at $200 million. Exports for the entire year are expected to total 2 million tons, compared with 1.8 million tons in 1976.

Production for the 1976/77 year was 120 million bags (60 kg each), or 7.2 million tons. The 1977/78 target calls for a 12.5-percent increase to 135 million bags, but trade sources believe the State of São Paulo's output will be short of its quota, as some 15 million bags will be used for direct conversion to alcohol.

Brazil is continuing its policy of stringent import controls this year, owing to its balance-of-payments problems. The principal restriction is a 100 percent value deposit that must be held for 360 days. Of the three most important agricultural imports—wheat, dry beans, and dried milk—wheat and beans are not subject to these import restrictions.

Wheat. Despite Brazil's repeated attempts at wheat self-sufficiency, and a 5-percent production increase to an estimated 3.15 million tons in 1977, Brazil will still have to import an estimated 3.5 million tons during 1978.

(Estimated total wheat consumption of 6.1 million tons in calendar 1977 includes 5.5 million tons for food utilization and the balance for seed and other uses. It is Brazil's 1976 production of 3 million tons that will be used for 1977 consumption, rather than the 1977 output, which will not be available until the harvest—most of which occurs in November.)

Imports of U.S. wheat in 1977 are expected to drop 48 percent to 800,000 tons, compared with 1,540,915 tons in 1976, owing primarily to Brazil's large wheat harvest and large imports of low-priced Argentine surplus wheat. In December 1976, Argentina undercut the lowest U.S. bid of $106 per ton with a winning bid of $91 per ton.

Brazil's wheat imports during January-June from Argentina were estimated at 900,000 tons. Canada holds export orders for 480,000 tons in 1977, most of which were scheduled for shipment through June. Brazil has adopted a policy of diversification of import sources, adding South Africa and Uruguay to its list of wheat suppliers in 1977.

A key support price for 1977 is the Brazilian wheat price, set at $219 per ton. This price, which is more than double the world market price, is expected to maintain the momentum of the wheat-soybean cycle, as wheat and soybeans are double cropped. This support price is annually recomputed to provide a net profit of 30 percent to Brazilian wheat growers. The high support price is essential because of risks to wheat growers' crops from the vagaries of weather and disease.

Dry beans. The dry bean shortage of 1976 (owing to a 19-percent drop in production to 1.843 million tons) has been repeated in 1977. The drought during February and March of this year in the central states reduced the crop to 1.9 million tons.

To meet the dry bean shortage, the Government of Brazil has authorized import licenses for up to 150,000 tons. Mexico and Brazil have agreed to barter 50,000 tons of black beans for a similar quantity of soybeans.

Total imports of dry beans in 1976 were 84,388 tons comprised of 25,056 tons of black beans, mostly from Mexico and Chile, and 59,332 tons of white beans from Argentina.

The Brazilian Government placed a ceiling price on dry beans in 1976 because of social unrest created by the shortage. To make the c.i.f. import price comparable to the domestic price, the Government has exempted imports from the value-added ICM price and the 100-percent, 360-day deposit. □

Austria Readies Plan To Combat Milk Surplus

By H. G. Stuckmann

As a result of its growing milk surplus, Austria must export the equivalent of more than a half-million metric tons of milk per year. Deductions from farmers' milk checks, which so far have helped to subsidize these exports, have risen to record levels. Austria is planning an alternative dairy program, and hopes to have it in place by mid-1978.

Moving to stem its swelling tide of milk, Austria recently increased deductions from farmers' milk checks—the main money source for export subsidies—to an unprecedented level. In addition, the Government and dairy industry now agree on the urgent need for a modified marketing system, including quotas, for milk.

On September 1, the checkoff from the producer milk price, which is the Austrian dairyman's contribution to the export subsidization fund, was increased 17 percent to 34.50 Austrian schillings, or more than $2 per 100 liters. Thus, producers now net only about 90 percent of the nominal target.

The checkoff, locally called *krisengroschen* (crisis penny), is the only Government policy instrument that has brought some flexibility to an otherwise rigid milk marketing system. Besides generating funds to finance export subsidies for milk products, previous increases have tended to slow the growth of milk marketing—at least for limited periods.

Compelling reasons forced the Government to impose this unpopular measure on the country's 160,000 dairy farmers. For many years, Austria has been plagued by dairy surpluses created by the widening gap between domestic production and consumption of dairy products. In 1977, milk deliveries are expected to reach record levels. About 25 percent of raw-milk deliveries this year will find no outlet in Austria, so the dairy product equivalent of 550,000 metric tons of milk must be shipped abroad.

To make this practical, needed export subsidies are estimated at $70 million, up 42 percent from those of 1976. Therefore, the Government had little choice but to drastically raise the checkoff.

Nonetheless, it is apparent a more comprehensive and effective system is needed to stem Austria's burgeoning milk surplus. On March 29, Government and dairy industry spokesmen began devising anti-surplus strategies. Results of their negotiations will form the basis of a new milk marketing system, featuring safeguards against limitless growth of milk deliveries to processing plants. The Government's timetable calls for implementation of the plan by mid-1978 when the whole package of existing farm legislation again comes up for extension.

Present legislation places no restraints on either milk production or marketings, and processing plants are legally bound to take all milk of acceptable quality. An official price commission sets the producer milk price, which reflects no fluctuations from the milk price support other than periodic adjustments in the checkoff. In short, the Austrian dairyman enjoys maximum protection from swings in supply and demand. He does not have to worry about surplus disposal; that is the Government's problem.

The Austrian dairyman resents any surplus-control scheme infringing upon his traditional right to sell as much milk as he wants. But such a scheme looms in the future. The situation is further complicated by the steady uptrend in milk yields and the large potential for continuing increases in dairy herd productivity.

As a result, Government and dairy industry officials agree there must be no more delays in devising effective curbs on domestic milk marketings. Signs so far indicate that any future marketing plan will revolve around some kind of delivery quota system based on past performances of individual farms.

A scheme that stands a fair chance of being adopted is the split-price system, under which the full producer price—without "crisis penny" deductions—would be paid for tonnage of milk equivalent up to 105 percent of domestic requirements. The extra 5 percent is a safety margin for possible short-term consumption increases. For milk above this ceiling, the price paid to dairymen would be so low—presumably less than one-third the current price—that dairy products made from surplus milk could be sold abroad without needing export subsidies.

Individual dairy farms would be assigned specific shares of the 105-percent quota according to their milk deliveries over a number of years.

Whether this or a smaller quota system forms the core of future policy, two complementary measures have been proposed.

One deals with veal, for which milk is an input. Since Austria does not produce enough veal—a valued meat item in that country—to meet domestic demand, the Government may provide financial incentives for farmers to increase market weight approximately 20 percent per calf by feeding whole milk. Marketing surplus milk through the veal calf would be more profitable for the farmer than selling his surplus milk at the low price currently envisaged.

Currently, veal must be imported at a considerable drain in foreign currency. To the extent that the veal shortage is caused by the low average market weight of slaughter calves, which hovers around 100 kilograms, the shortage can be relieved by the contemplated feeding program.

The other proposal affects cow numbers, which have been declining steadily. This downturn, however, has not been fast enough to offset greater dairy herd produc-

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tivity. To hasten herd reduction, the Ministry of Agriculture may grant slaughter premiums to farmers who voluntarily cull their cows.

These are the major features of the comprehensive program proposed to replace the present, admittedly antiquated, milk marketing system, conceived almost 30 years ago when Austrian agriculture was recovering from World War II and increases in food production were a primary objective of food policy.

However, most of the Government's options to curb milk sales are apt to hurt the economically weakest segment in the country's agriculture—the isolated mountain farmers.

Discounting off-farm earnings, family farms located in the often inhospitable valleys of the Alps have three sources of income—tourism, timber, and most importantly, cattle. Tourism may flourish one year and turn sour the next while timber production is strictly regulated to avoid overcutting. This makes cattle the only stable income earner.

And the more slaughter calves and feeders a farm produces, the greater its earnings. But more calves mean more milk because the farmer finds it profitable to raise the animals on milk replacers. The farmer brings this excess milk to market, thus adding a little more to the nation's dairy surplus. The problem will be to interrupt this spiral.

On the other hand, Government and dairy industry representatives are agreed in principle that a new milk marketing system should not bring losses in dairy farm income. It will be a difficult task, though, to find a formula that assures a significant reduction in raw-milk supplies while leaving net farm milk proceeds essentially intact. □

Ireland's EC Policy Reflects Dependence On Agriculture

By Glenn D. Whiteman

Ireland believes EC membership has resulted in many advantages and looks to a continuing relationship. But some farmers would like to see changes in its policies. And there is a growing belief by others that some amendments should be made to benefit the consumer.

After more than 4 years as a member of the European Community, Ireland's confidence in the Community's farm policies is stronger than ever, although this faith is not without reservation.

Some Irish farmers—while believing EC policies will continue to strengthen the agricultural sector—would still like to see moderate changes made, and there are slight murmers which may represent the beginning of consumer resistance to continually rising food prices.

Because Ireland is extremely interested in protecting the viability of its agricultural sector, it will do so by supporting most of the EC's Common Agriculture Policy (CAP), or by any other means it deems necessary. And for good reason.

Ireland's agricultural sector—although decreasing in importance as an employer between 1960 and 1976—is still Ireland's biggest industry. It contributes far more to the gross domestic product (GDP) and hires a larger segment of the civilian work force than the agricultural sectors of any of EC partners.

In 1976, Ireland's farm sector contributed about 20 percent to the country's gross domestic product and hired 212 workers out of every 1,000 in the labor pool. By contrast, in Italy, the next most active agricultural country, that sector contributed only 8.8 percent to the gross domestic product and hired 160 workers per 1,000 in 1974, the latest year for which data are available.

(If the workers employed in basic processing of agricultural products are included, the Irish worker total in 1976 would increase to almost 300 per 1,000.)

Ireland's farm labor force will get smaller in coming years—for example, it fell from 342 workers per 1,000 in 1960 to the currently estimated 212 workers per 1,000—as Ireland steps up its industrialization.

But this in no way will diminish agriculture's relative importance to the country's economy. Farming is now Ireland's principal industry—and will probably remain so in the foreseeable future—a circumstance that will probably cement Ireland to the EC even more tightly.

The EC will continue as a market for increased Irish production, which, according to a Government Green Paper, should rise 6 percent per year between 1977 and 1980. The Government foresees increases in dairy products, beef, sheep, pig, and cereal production. The Irish believe that given the protection and incentives of the CAP, these production goals are attainable.

One of the main reasons for Ireland's entry into the EC was its desire to benefit financially from the high producer prices paid under the CAP. In 1973, the first year of Ireland's EC membership, gross income from Irish livestock sales amounted to the equivalent of $839.1 million, reduced to a net of $695.1 million after operating expenses were deducted and EC subsidies added.

In 1975, sector net income was $917 million, from a gross of $1.15 billion. Thus, in 2 years, livestock sector net income rose by nearly $222 million. (Based on an exchange rate of £1= US$1.75.)

While there is little doubt that Ireland's farm income would have risen somewhat during this period in any case because of world market conditions and the country's high inflation rate, most Irish farmers are convinced that their present affluence—and that of the country as a whole—stems from Ireland's EC membership.

They know that higher EC agricultural prices mean more to the overall Irish economy than similar prices mean to the economies of other, more industralized EC countries.

But this is not to assume that Ireland is completely satisfied with the workings of the CAP. Two areas that are of concern to that coun-

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A small milk separating station in the dairy region of County Cork, top. Despite an EC appeal to members not to do so, Ireland's dairy sector plans to boost output. Bottom, a modern Irish supermarket. Many Irish consumers believe that EC CAP policies are reflected in higher prices in the stores.

try are the lack of a CAP for sheepmeat and the system of Monetary Compensatory Amounts (MCA's).

The purpose of the MCA's is to offset trading advantages accruing to one Member State at the expense of another, owing to currency fluctuations. Because of devaluations of the pound sterling, Irish exporters of agricultural products are charged an export tax on sales to most countries except the United Kingdom.

(This means that the Irish producer must bear the increased cost of imported inputs resulting from devaluation but yet—because of the MCA tax—he does not receive the full benefit of currency devaluation to the price competitiveness of his export products.)

However, because of the higher incomes resulting from EC membership, the Irish are perhaps more content with the present workings of the CAP and less interested in change than some other EC members. In fact, Irish farmers believe their export market potential is mainly under the EC umbrella and, hence, they are not particularly interested in negotiating access to the EC market for other countries in exchange for access to third country markets.

They have consistently supported the most strongly protectionist EC position on agricultural trade and see it in their self-interest to continue to do so.

Total Irish exports in 1976 amounted to $3.25 billion, of which 42 percent, or $1.35 billion were agricultural. Total imports were $4.08 billion, 13 percent, or $544.6 million, being farm products, giving an overall trade deficit of $837.2 million, but an agricultural trade surplus of $793.8 million.

Despite the excellent outlook for farmers, the high food prices are a concern to a small but growing consumer lobby that feels rising food costs, resulting from the CAP, benefit only the farmer, while the consumer is caught in the resulting price squeeze.

Over 1,000 people attended a housewives' meeting in Cork in March to protest against high food prices and the Government's apparent inability to stem the climb in the rate of inflation—at 19 percent the highest in the EC in 1976. The unemployment rate—currently about 10 percent of the work force—also is blamed for slowing economic recovery.

But it is likely that Ireland will continue to support EC policies, and over a period of time work within the Community framework for adjustments it seeks, while at the same time resisting those who would demand structural changes in the EC CAP.

At the same time, domestic food prices will probably continue to rise and consumer opposition to the CAP strengthen. □

Better Grain Crops To Boost French Exports, Cut Imports

France's 1977 grain crops are estimated to be larger than those of 1976, despite damp and abnormally cool weather, which has limited production in a few parts of the country. Some grains had not filled out as heavily as would have been the case with warmer weather, and corn development was about 3-4 weeks late.

However, total production is expected to be the third largest in French history and 28 percent above output in 1976. In consequence, France will markedly reduce its grain imports, especially of corn—most of which comes from the United States—and boost its exports.

France's total grain exports tumbled from about 15.2 million tons in 1975/76 (August-July) to 9.2 million the following year, but are expected to recoup by slightly more than 6.3 million to reach nearly 15.6 million in the current marketing year. Grain imports rose from 7,000 tons in 1975/76 to 3.8 million in 1976/77, but are seen dropping to 800,000 tons in 1977/78.

According to French data, production of grains (excluding rice, mixed grains, millet, and buckwheat) is expected to rise in 1977 to about 40.9 million tons, up from the drought-reduced level of 32.0 million a year earlier, which was 3.1 million tons less than the 1975 crop.

Now set at a somewhat lower level than estimated earlier in 1977 (but only slightly less than in 1976), actual wheat plantings in the current year are gaged at about 4.3 million hectares, a figure including 137,000 hectares of Durum.

Present yields are estimated at 4.4-4.5 tons per hectare. The reduction in the total wheat estimate—from the 19.3 million tons set earlier to the current 18.8 million—is based on weather damage in the southwest part of the country and lighter-than-expected yields. Last year's wheat crop was 16.2 million tons.

Also the result of the cold, wet weather early in the spring, barley plantings were cut slightly, although the current area estimate totals 2.8 million hectares, still somewhat higher than in 1976. The 1977/78 barley crop is now estimated at 11.1 million tons, 33 percent greater than the 8.3 million tons grown in 1976.

Corn area has been cut from an earlier estimate of 1.8 million hectares to the current 1.7 million, with about 40,000 hectares being lost to storms in the southwest. Also in that region, the cool, wet spring and summer retarded planting and corn development to the point where it was feared an early frost would seriously cut the crop total. However, in the other regions of France, corn—although also late—developed well. Total production is now estimated at 8.4 million tons, compared with 5.5 million tons last year.

Because of excellent pasture and hay conditions this year, some corn that otherwise would be chopped for silage may be allowed to go to seed. Thus, corn production could be 8.3-8.6 million tons, depending on the amount of green chop.

Millet and buckwheat constitute minor crops in France with millet area only about 1,000 hectares and that of buckwheat about 8,000 hectares. However, mixed grains area is estimated at 185,000 hectares (compared with 189,000 hectares in 1976), and production, an estimated 566,000 tons.

Production of rice is estimated at 27,000-28,000 tons.

France's wheat imports in 1977/78 are expected to total 480,000 tons, with about half probably coming from the United States. Corn imports are seen at 400,000 tons, with the United States supplying a large share. Barley imports are expected to be the same as last year's 100,000 tons; those of oats and sorghum will be minimal.

France's corn imports are usually larger than those of wheat, but in 1976/77 (July-June) corn imports outran wheat by more than 600 percent. Of total corn imports of 1.5 million tons, the United States shipped 1.4 million tons. U.S. wheat shipments were 100,000 tons of a total of 203,000 tons. This country also provided one-fifth of France's imports of 100,000 tons of barley and 5,000 tons of total sorghum imports of 30,000 tons.

As a result of its sizable grain outturn in 1977, France's grain exports are expected to be up in all categories. Other countries of the European Community—and former colonies—are France's most important grain customers.

Totaling about 8.6 million tons, France's wheat exports in 1977/78 are expected to be up about 28 percent from shipments of 6.7 million a year earlier. Corn exports are expected to climb by 1.8 million tons to 2.3 million. Those of barley will more than double, rising from 1.9 million tons in 1976/77 to 4.5 million tons in 1977/78.

Oat exports will more than triple, climbing from 38,000 tons to 147,000, while sorghum exports will rise by 60 percent from 100,000 tons in the 1976/77 marketing year to 160,000 tons in 1977/78. □

Based on report from Wayne W. Sharp, U.S. Agricultural Attaché, Paris.

U.S. Food-Aid Share Dips, But Is Still No. 1

By Susan A. Libbin

By far the world's biggest food-aid supplier, the United States has kept its contributions—shipped mainly under the P.L. 480 program—fairly constant in value. But recently, the U.S. share has declined as other developed nations, notably Canada, Japan, and the European Community, have increased their share, which stood at 41 percent in 1975, compared with less than 10 percent during 1960-68.

The United States continues as the world's major food-aid supplier, but increased contributions from other developed countries brought their share of food-aid disbursements to 41 percent in 1975, compared with less than 10 percent during 1960-68.

The decline in the U.S. share from more than 90 percent in 1960-68 to 59 percent in 1975 reflects increased food aid from other sources, chiefly Canada, Japan, and the European Community, rather than a decline in the value of U.S. contributions, which has remained fairly constant in most years.

The principal vehicle of U.S. food aid is Public Law 480 (P.L. 480) concessional sales and donations.

Concurrently as commercial U.S. farm exports have risen to record proportions, the P.L. 480 share of total U.S. agricultural exports has declined. Before 1965, P.L. 480 exports accounted for about 25 percent of U.S. agricultural exports, but during fiscal 1973-76, they were 4-7 percent of the total.

Although the United States began providing agricultural commodity aid in 1948, the basic legislative authority was enacted through the Agricultural Trade Development and Assistance Act of 1954—or Public Law 480. While the program was created primarily as a temporary measure to bypass foreign exchange shortages of other nations and to dispose of U.S. farm surpluses, there have been several changes in its laws, priorities, commodity content, and recipient destinations.

The Food for Peace Act of 1966 emphasized U.S. objectives of encouraging agricultural and economic development abroad as well as combating hunger and malnutrition. P.L. 480 has been extended for 4 years through amendments to the recently enacted Food and Agriculture Act of 1977, and the International Development and Food Assistance Act.

As required by the availability criteria of P.L. 480 (Section 401), domestic requirements, commercial export demand, and adequate carryover stocks must be met before the Secretary of Agriculture can determine the volume and type of commodities available for annual P.L. 480 programing. This section was recently amended to authorize shipments of P.L. 480 commodities for urgent humanitarian needs abroad during times of limited U.S. supplies.

U.S. agricultural exports under Government-financed programs totaled $28.6 billion from fiscal 1955 through September 1976 with P.L. 480 exports providing about 90 percent of the total, and Mutual Security/Agency for International Development (AID) the remainder. (The Mutual Security Act of 1951 as amended authorized sales of agricultural commodities for foreign currencies.)

Over the last two decades, farm commodities amounted to about 40 percent of all U.S. economic aid, but during 1970-75 the share fell to 26 percent.

Rising from $385 million in fiscal 1955 to a peak of nearly $1.6 billion in 1965, P.L. 480 shipments had dropped to $867 million in fiscal 1974, largely because of reduced U.S. stocks resulting from increased U.S. commercial exports to meet additional demand from the 1973 decline in world output.

Rebounding to $1.1 billion in 1975, P.L. 480 exports then slipped 20 percent in fiscal 1976, partly from programing lags and planning for large shipments during the July-September transition to the new fiscal reporting period.

Inflation, too, has affected P.L. 480 exports, especially between 1970 and 1976. In fiscal 1976, P.L. 480 exports of 4.5 million metric tons were less than half those of the early 1970's, yet value was down only 16 percent.

Principal P.L. 480 commodities from 1955 to September 1976 were wheat (40 percent of the total); rice and cotton (10 percent each); feedgrains (8 percent); soybean oil and wheat

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U.S. Agricultural Exports Under P.L. 480 and Mutual Security/AID Programs, Quantity, and Value [1]

Period [3]	Public Law 480			Mutual security aid	Public Law 480			Mutual security aid
	Title I	Title II	Total [2]		Title I	Title II	Total [2]	
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*
1955	838	838	3,431	2,959	73	187	385	450
1956-60 avg.	7,518	1,468	11,992	1,932	710	198	1,125	271
1961-65 avg.	13,599	2,683	17,556	494	1,110	248	1,451	65
1966-70 avg.	11,139	2,336	13,533	99	928	258	1,198	24
1971	7,493	2,344	9,838	348	743	280	1,023	56
1972	7,171	2,744	9,914	402	678	380	1,058	66
1973	5,030	2,345	7,375	356	667	287	954	84
1974	1,810	1,530	3,340	433	575	292	867	76
1975	3,584	1,301	4,884	457	762	339	1,101	123
1976	3,501	963	4,465	922	650	257	907	216

[1] Compiled in Statistics Program Area, Foreign Demand and Competition Division, ERS. [2] Includes barter (Title III of original P.L. 480 Law) until 1969—but mostly during 1955-62. [3] Year ending June 30.

flour (7 percent each); nonfat dry milk, tobacco, and blended food products. Since 1970, P.L. 480 exports of cotton, tobacco, feedgrains, and nonfat dry milk have declined sharply while blended food products have risen.

Developing countries have received the bulk of P.L. 480 exports, getting $20.9 billion worth, or about 80 percent of the total. Shipments went to more than 130 countries, of which about 100 were developing countries.

India, the leading recipient, received one-fifth of all P.L. 480 exports.

P.L. 480 exports went to about 27 developed countries, mainly during the first decade of food aid when their economies were still recovering from the effects of World War II.

Title I sales have been the major P.L. 480 program, totaling $18.2 billion and comprising 70 percent of all P.L. 480 shipments from 1955 through September 1976.

Title I has involved three types of sales arrangements:

- Sales for foreign currencies (no new agreement permitted after December 31, 1971);
- Long-term dollar credit sales; and
- Long-term credit sales for convertible foreign currencies.

Amendments to P.L. 480 in 1975 required that at least 75 percent of all Title I sales had to be allocated to countries with a Gross National Product (GNP) per capita of $300 or less that were unable to meet their food needs through domestic production or commercial imports. Amendments in 1977 to P.L. 480 lifted the GNP per capita ceiling and adopted the flexible level—currently $550—set by the International Development Association. Its per capita level changes periodically to reflect inflation and other factors.

The other major P.L. 480 program has been Title II donations, which totaled $5.6 billion from fiscal 1955

New Directions in P.L. 480 Program Emphasized

Recent changes in world agriculture and the rapid growth in U.S. farm exports, estimated at near $24 billion in fiscal 1977, have created the need for equally dramatic changes in U.S. food and agricultural policy, said Dr. Kelly M. Harrison, Assistant Administrator, Foreign Market Development, FAS.

In a recent speech at the State Agricultural Policy Conference in Raleigh, N.C., Harrison explained some of the new directions in U.S. farm policy. The following are excerpts dealing with market development and the P.L. 480 program:

In market development, we have undertaken a system of integrated export market program planning. We are analyzing each of our major current and potential agricultural markets to tailor future marketing activities to each market's specific needs. When these analyses are completed, we will work with market development cooperators to formulate 3- to 5-year export growth plans for each individual market.

These plans will include cooperative market development activities, such as trade servicing and consumer promotion—and, when necessary, appropriate Commodity Credit Corporation (CCC) credit commitments.

A credit program is being formulated now to bridge the gap between the present 1- to 3-year CCC export credit sales program and the 20- to 40-year loans extended under Title I of Public Law 480. This program is designed not only to be another export-market tool to compete in world markets, but to meet the particular intent of some nations to move from concessional purchases to a commercial basis for eligible and available U.S. farm products.

A noncommercial risk assurance program is being developed to assure the export seller that payment will be received from the Commodity Credit Corporation should a draft be dishonored as the result of a noncommercial risk occurrence.

By transferring the noncommercial risk of loss of deferred payments from exporters and their financial institutions to CCC, the program is intended to facilitate U.S. exports.

To help those nations where cash imports of U.S. agricultural products or CCC commercial credit assistance are not feasible, we have asked for more funds and flexibility in our P.L. 480 program.

We are going to put greater emphasis on agricultural and economic development in these countries—to help them to help themselves to move from poverty and hunger to economic viability and better diets.

One way we hope to accomplish this is by using the new program—Food for Development—in Title III (as amended in 1977) of P.L. 480, the Food for Development Program. Under this plan, the recipient country uses funds generated from the local sale of P.L. 480 commodities to finance agricultural and economic development projects. The program stresses local food production and the development of an agricultural infrastructure. The funds used for such projects may be applied against the repayment obligation incurred by the recipient country.

P.L. 480's objectives are not only to combat hunger and to encourage development, but also to expand international trade and to develop markets for U.S. agricultural commodities. The program's success as a market development tool has been demonstrated by former program countries that are now CCC credit commercial customers or cash buyers.

In the early years of P.L. 480, recipients included 17 European countries and Japan, which were still suffering the effects of World War II. By 1969, all of these countries were importing U.S. farm products on commercial terms. In 1976, U.S. commercial exports to Japan had reached $3.3 billion, the top single-country customer for U.S. farm products.

The Republic of China (Taiwan), by fiscal 1976 had shifted from 90 percent P.L. 480 financing to 100 percent commercial, taking $562 million worth of U.S. commodities. South Korea was 92 percent commercial, with $722 million in U.S. commodities. □

through September 1966 and accounted for 22 percent of all P.L. 480 exports. During fiscal 1971-75, donations had increased—averaging almost one-third of P.L. 480 shipments—while Title I exports trended downward.

Title II commodities are distributed through three cooperating sponsors:

- Recipient Governments under bilateral agreement with the United States;
- Nonprofit, voluntary U.S. agencies, such as CARE; and
- International agencies, chiefly the World Food Program (WFP).

The majority of donations have moved through voluntary agencies. Government-to-Government donations were only 8 percent of Title II exports in fiscal 1976, compared with almost 50 percent in 1972.

This year's amendments to P.L. 480 increased the minimum tonnage of Title II commodities from 1.3 million tons to 1.6 million. During 1961-73, Title II exports exceeded 2 million tons, but fell to 1.3 million in fiscal 1975, and 963,000 in 1976.

A small program under P.L. 480 (Title III of the original P.L. 480 Law) was barter sales of commodities for acquisition of foreign-produced strategic materials for U.S. Government stockpiles. Shipments under this program occurred mainly during 1955-62 and went chiefly to Europe and Japan. Since 1963, new transactions of this type of barter sales have been classified as commercial.

Although Title I commodities are not designated for any specific group prior to shipment, Title II donations are expressively allocated to such groups as low-income expectant mothers, preschool and school children, farmers, and disaster victims.

U.S. concessional farm aid also has been provided under Mutual Security/AID programs since 1953, as sales for foreign currency until 1962 and then as AID loans and grants. About two-thirds of Mutual Security agricultural exports were sent during fiscal 1955-61 when they amounted to about one-fifth of Government-financed farm exports. With wheat and cotton as the major commodities, principal recipients in these years were the EC, Spain, Korea, and Taiwan.

In the last 2 years, AID shipments have increased considerably, consisting mainly of soybeans, corn, wheat, and soybean oil to Israel and inedible tallow, chiefly to Egypt.

As developing countries have expanded economic growth and foreign exchange reserves, they have tended to increase commercial purchases from the United States, and reduce or even terminate their need for food aid.

During fiscal 1974-76, U.S. commercial sales of farm products to developing countries totaled more than 80 percent of all U.S. farm exports to these markets, compared with 40 percent a decade earlier. During 1956-66, U.S. agricultural commercial sales to developing nations were less than $1 billion (about 20 percent of all farm exports), but jumped to nearly $7 billion in fiscal 1975—or 34 percent of all U.S. commercial farm sales.

Almost all major P.L. 480 recipients have increased substantially their commercial purchases of U.S. farm products. Five developing countries—Taiwan, Brazil, Iran, Peru, and Colombia—and two developed countries, Japan and Spain, are examples of former Title I recipients becoming good U.S. commercial customers. For several years, Japan has been the leading U.S. commercial farm market while Spain has been in the top 10. In fiscal 1976, Taiwan and Brazil were the 11th and 13th major commercial markets, respectively, and in 1975 Iran ranked as the ninth best U.S. commercial customer.

Several recent concessional aid recipients, such as South Korea, India, Indonesia, Egypt, and Israel, also have greatly expanded their commercial purchases. India was the eighth leading commercial market for U.S. farm products in fiscal 1976, up from 18th in fiscal 1974. Since fiscal 1972, Korea has been one of the 10 top commercial markets.

Commercial sales of wheat—the major P.L. 480 export—have increased to several former and current aid recipients, such as Japan, India, Brazil, Korea, Taiwan, Iran, and Morocco. In fiscal 1976, Japan, India, Brazil, and Korea were among the five leading cash purchasers of U.S. wheat while Taiwan ranked 12th.

About two-thirds of all U.S. wheat exports and nearly one-half of U.S. rice exports were under P.L. 480 during fiscal 1956-65. Then, the P.L. 480 share of wheat exports dropped to an annual average of 46 percent during 1966-70 and to only 9 percent in 1973-76. Although the rice share did not decline as sharply, it fell to about 27 percent in the 1975/76 period. □

P.L. 480 Title I and Title II Exports of Principal Commodities

[In 1,000 metric tons]

	Title I						Title II					
Period [1]	Wheat	Rice	Feed-grains	Wheat flour	Vegetable oils [2]	Cotton	Wheat	Wheat flour	Nonfat dry milk	Feed-grains	Blended food products [3]	Vege-table oils [2]
1955	646	—	152	—	23	13	419	42	128	86	—	19
1956-60 avg.	5,296	359	1,075	203	291	176	289	453	219	96	—	3
1961-65 avg.	10,308	560	1,021	994	305	233	581	996	257	247	—	46
1966-70 avg.	7,456	769	1,673	615	251	198	548	631	149	159	144	101
1971	4,519	923	862	659	293	159	548	591	141	303	266	86
1972	4,188	814	1,213	361	194	120	879	369	116	173	269	187
1973	2,307	964	1,274	158	110	137	690	630	26	178	181	112
1974	684	606	379	33	65	28	176	352	1	466	173	54
1975	2,649	741	14	134	29	9	146	250	46	143	171	41
1976	2,566	499	—	316	83	30	115	251	26	62	119	—

[1] Year ending June 30. [2] Mainly soybean oil. [3] Corn-soya milk and wheat-soya flour.

New Egyptian Policy: Sell Cotton for Cash

By John B. Parker, Jr.

Egypt is diverting an increasing share of its cotton export volume away from trade-agreement deals with the Soviet Union and East European countries to cash markets in Asia, Western Europe, and other countries.

As a result of this shift, Egypt expects to accumulate significantly larger foreign-exchange receipts, some of which may be used to fund imports of cotton not produced domestically.

Egyptian cotton usually obtains premium prices—$2.89 per kilogram ($1.30 per lb) or more—in world markets whereas the average price of U.S. cotton exports to Egypt in early 1977 was $1.95 per kilogram (88 cents per lb).

Because Egypt's cotton production in recent years has remained below expectations while consumption has continued to rise, less cotton has been exported.

To meet this problem, Egypt has imported less expensive cotton for domestic use, thus freeing more expensive Egyptian extra-long staple cotton for export.

Egypt's imports of U.S. cotton in early 1977 amounted to 24,000 tons of short-staple cotton, valued at $46 million. By accumulating foreign-exchange receipts from cash export sales, Egypt will be able to finance a larger volume of imported cotton.

Egypt's exports of other commodities to the Soviet Union and East European countries are likely to increase, which will help keep the total value of Egyptian exports through trade agreements at or near scheduled levels.

Expanded exports of such items as oranges, furniture, leather products, and winter vegetables could help offset the drop in cotton exports to these countries.

Exports of cotton from Egypt to the USSR peaked in 1971 at 110,281 tons, valued at $153 million. Higher prices caused value to reach a record $194.3 million for the 61,307 tons delivered in 1974. Deliveries in 1976 fell to 34,865 tons, valued at $114 million, and shipments in early 1977 were about half those in the corresponding year-earlier period.

In 1975, Egypt exported 23,757 tons of cotton worth $69.2 million to Czechoslovakia, but deliveries in 1976 were about one-fourth lower. Exports to Romania reached a peak of $62 million in 1975, and shipments to Poland that year were valued at $30 million.

In recent years, Japan has become Egypt's largest cash customer for cotton. Egypt's exports of cotton to Japan increased from $53.2 million in 1973 to a peak $145.5 million in 1974, but fell to only $10.3 million in 1975.

In 1976, the United States imported about 900 tons of Egyptian cotton worth $1.9 million—quadruple the 1975 value.

Despite the special 60 percent tariff reduction granted Egypt by the European Community (EC), Egyptian cotton exports to EC destinations declined from 57,369 tons in 1973 to 34,243 tons in 1974 and to only 26,644 tons in 1975.

Exports to the EC could rebound in 1977 because of the cessation of shipments to the USSR and East European destinations. Italy and France usually account for more than three-fourths of Egypt's cotton exports to the EC.

Egypt also has been an important supplier to the People's Republic of China (PRC) and India.

Cotton exports to the PRC have fluctuated widely during the past two decades, while Chinese deliveries of tea, meat, tobacco, and an array of farm products to Egypt remained relatively steady.

Egypt exported 17,959 tons of cotton to the PRC in 1975, valued at $49.6 million. Only token shipments have been made in recent years to the cotton markets of Taiwan, South Korea, and Hong Kong.

Egypt's shipments of cotton to India through trade agreements declined from 34,788 tons in 1971 to 8,048 tons in 1974 and ended temporarily in 1975. Exports of cotton to India rebounded in late 1976 and remained strong in early 1977.

Egyptian farmers in 1976 harvested 396,000 tons of lint cotton from about 525,000 hectares. Area for 1977 was expanded to about 625,000 hectares, as farmers planted less wheat and corn to make way for the larger cotton area recommended by the Government.

But damage from leaf worms in June and bollworms in recent weeks has dimmed prospects for a substantial gain in production this year. Preliminary estimates indicate that cotton output in Egypt this year may reach about 430,000 tons—a gain of 9 percent in production from an increase of 19 percent in area, indicating a slight reduction in average yield.

Egypt's total cotton exports declined from 202,500 tons in 1975 to about 174,000 tons in 1976. The level might reach 200,000 tons in 1977 as a result of the imports of 24,000 tons of short-staple cotton from the United States, which allowed Egypt to export more of its expensive grades.

Egypt exports of cotton yarn and cloth have declined in recent years because of rising demand for cotton products at home. Textile mills in Egypt are expected to use 240,000-250,000 tons of cotton this year, and a further gain of about 10 percent is forecast for 1978.

Exports of cotton yarn declined from 46,641 tons in 1972 to less than 37,000 tons during 1974-76 (annual average). Exports of cotton textiles during 1974-76 were only half the 1970-72 average of 22,000 tons. □

The author is an economist in the Foreign Demand and Competition Division, Economic Research Service.

Ecuador To Increase Some Grain Imports

By C. Milton Anderson

Faced with smaller harvests of rice, barley, and wheat this year than in 1976, Ecuador plans to import quantities of these grains plus feed corn, sorghum, and food oats through first-quarter 1978. Rice production is expected to increase under a long-range expansion program.

Ecuador, faced with some significant shortfalls in its 1977 harvests of rice, barley, and wheat, is expected to import quantities of these grains as well as feed corn, sorghum, and food oats through the first quarter of 1978.

The country's earnings from petroleum exports are expected to cover the funding needed for these imports.

The smaller 1977 harvests (compared with 1976 levels) are the result of a combination of factors—drought, a shortage of credit at planting time, plant disease and insects, and a lack of suitable seed varieties.

However, long-range prospects for Ecuador's rice crop are considerably brighter:

- Ecuador's current rice price level is attractive both to small growers (many of whose yields are only 1.3 metric tons per hectare) and to large, efficient producers (whose yields are 4 tons or more per hectare).
- By 1980, the 11,000-hectare Babahoyo irrigation project on the Pacific Coast should be in full operation and will increase total rice output by about 50 percent or 80,000 tons. Together, the country's large private investors and growers in the Babahoyo project should be able to produce at least 150,000 tons of rice per year—a quantity nearly equal to total national consumption.
- A major expansion of rice storage capacity is taking place in the private sector, and the Government, too, may eventually add some capacity. During the past 2 years, the shortage of storage capacity was the major reason for the Government's inability to prevent price speculation in rice.
- The quality of rice produced by large, new investors should meet world standards and thus will result in a more salable product.
- The Government may decide to proceed with the Daule-Peripa flood-control project, which would substantially ease the effect of heavy rains and assure an adequate year-round supply of water in the present rice-growing areas.

A problem that remains to be resolved is that of the lack of high-yield seed varieties, especially of the tall-growing types.

The 1977 wheat harvest is estimated by the Ministry of Agriculture at only 34,000 tons from 44,000 hectares, compared with 46,000 tons from 51,900 hectares during 1976.

Plantings were down because the Government failed to provide any new price stimulus for producers and because drought conditions prevailed during the seeding period. Yellow leaf rust disease has taken its toll.

However, production credit offerings and technical assistance by the National Development Bank were adequate. Because of the subnormal level of rainfall, generally good harvesting conditions prevailed again this year.

Ecuador's wheat imports—all from the United States—totaled about 231,000 tons during 1976/77 (July-June), up 16,000 tons from the year-earlier period. The total can be expected to rise to 260,000 tons during 1977/78.

Total 1977 coarse-grain production for Ecuador is now estimated at 153,600 tons from 195,300 hectares, compared with 154,200 tons from 175,500 hectares for 1976/77. The 1977 figure includes 41,500 tons of corn and 30,000 tons of barley for food uses.

Total corn outturns for 1977 may total 112,165 tons from 129,800 hectares, compared with 95,700 tons from 109,500 hectares for 1976/77.

The Ministry of Agriculture has reduced its estimate of the 1977 feed corn harvest to 103,400 tons from 78,000 hectares.

Estimated 1977 soft corn outturns are estimated at 32,620 tons from 59,800 hectares, down from the 34,020 tons from 60,101 hectares estimated for the 1976/77 period.

The 1977 barley harvest (both food and malting) is estimated at 35,000 tons from 62,000 hectares, compared with 57,000 tons from 65,000 hectares in 1976. The principal reasons for the decline were the subnormal levels of rainfall during the planting season and the lower yields resulting from the spread of yellow leaf rust.

Barley for feed use will take no more than 3,000 tons of the 1977 harvest. Buyers of barley for this purpose cannot compete with those buying for food uses, especially at current high prices.

The Government has made no estimate of area assigned to oats this year. Production is small—around 500 tons from as many hectares.

A major expansion in capacity by the country's largest oat processor pushed food oat imports for 1976/77 (July-June) to about 25,000 tons, a substantial rise over the 17,500-ton import volume for 1975/76.

The 1976/77 winter rice harvest is officially estimated at 66,000 tons (paddy), but private sources believe production was about 54,000 tons. Both agree that harvested area was about 53,000 hectares.

A harvest of 54,000 tons is sufficient for no more than 4.5 months of consumption. With carry-in stocks from 1976, this low level should be adequate to reach the summer harvest in November 1977. It is estimated that rice stocks carried into 1978 would be exhausted about March, leaving a 2-month deficit (about 25,000 tons) to be covered before the winter harvest in May 1978.

Ecuador's rice mills this year are generally offering the official prices to remain competitive with Government offers to buy. In the past 2 years, Government was unable to buy all rice offered, and mills dropped their offering price as a result. □

The author has recently returned from Quito, where he was U.S. Agricultural Attaché.

UN Conference Adopts New Sugar Agreement

The United Nations Sugar Conference in Geneva adopted October 7 on an ad referendum basis a draft of a new International Sugar Agreement (ISA), which will rely on a combination of export quotas and stock accumulation and release of stocks to defend a price range. According to the new agreement, when prices are around the middle of the price range, market intervention will be at a minimum.

The Secretariat of the United Nations Conference on Trade and Development (UNCTAD) expected the official version of the new ISA would be available to interested Governments by the end of October. Then in November, the Agreement would be opened for signatures. It is believed enough signatures will be gathered to allow the Agreement to come into force, on a provisional basis, on January 1, 1978. (Following the expected signing of the Agreement by the U.S. Ambassador to the United Nations, the Administration will submit the Agreement to the Senate for final ratification—probably in early 1978.)

Although the Agreement will operate on a provisional basis for part of 1978, obligations will apply as if the ISA had been in force throughout the entire year.

Key elements of the new Agreement are:

- **Price range.** From 11 to 21 cents per pound ("world" price or price at point of export). This range will be subject to review and possible adjustment during the life of the Agreement.
- **Initial quota.** The export quotas—the major element in the Agreement for defending the floor price—were established for individual free-market suppliers at the second session of the conference. These quotas, known as Basic Export Tonnages, or BET's, will be applicable for the first 2 years of the Agreement.
- **Subsequent quotas.** For the third and subsequent years of the Agreement, individual export quotas will be renegotiated. Failing a satisfactory outcome of this negotiation, a formula—giving significant weight to export performance—will be automatically utilized to determine quotas.
- **Quota/price mechanism.** In a rising price situation quotas will be suspended at 15 cents per pound; in a falling price situation quotas would be instituted at 14 cents per pound. Between the floor price and the quota imposition/suspension points, there will be progressive reductions or increases (totaling 15 percent) in the aggregate of quotas in effect, depending on the movement of market price.

Should the prevailing market price remain below 11 cents for 75 market days during the first 2 years of the Agreement, an additional cut of 2.5 percent in quotas would take place; the cut would be reinstated when prices rise above 11 cents. Three countries—Australia, the Dominican Republic, and Thailand—would not be subject to this latter cut or reinstatement. The exemption is based on the high proportion of their total production that moves to the free market.

- **Exporter shortfalls.** Quantities that exporters cannot furnish against their quotas will be redistributed, except when the market price is below 12 cents.
- **Special stocks.** As a protection against the market price rising above the ceiling, members with export quotas will stock 2.5 million tons of sugar. (There is a provision for some additional voluntary stocking.) These special stocks will be accumulated while quotas are in effect at a rate of at least 40 percent in each of the first 2 years and the remainder in the third year. In general, the amount of sugar to be stocked by each export quota holder would be proportionate to its share of the total of export quotas. The stocks will be subject to verification and are to be released for sale when market

By Robert M. McConnell, Director of Sugar and Tropical Products Division, Foreign Commodity Analysis, FAS.

The Trail of Talks Leading to New Sugar Pact

While the United States has been a member of some previous sugar agreements, it did not join the 1968 International Sugar Agreement (ISA). Likewise, the United States did not associate itself with the 1973 extension of the noneconomic provisions of the 1968 Agreement. (This extension is scheduled to expire on December 31, 1977.) At present, the United States is not a member of the International Sugar Organization (ISO), the governing body of the ISA.

Preparatory work for a new ISA began, in earnest, in 1975. By February 1977, a draft text had been prepared, but the United States did not have an active role in the development of that draft.

A negotiating conference—sponsored by the United Nations Conference on Trade and Development (UNCTAD)—was held in Geneva from April 18 to May 27 of this year. The conference (attended by the United States and more than 70 other nations) ended without agreement on any major issue.

A consultative meeting took place in London, July 20-29. This session, to which the United States and about 15 other nations were specifically invited, focused on technical problems involved in stockholding and financing. There was some resolution of these problems as well as a narrowing of differences between importer and exporter positions on a number of key issues.

Progress at the July consultations led to the reconvening of the negotiating conference in Geneva on September 12. This second part of the 1977 UN Sugar Conference was scheduled to end on September 30 but was extended for 1 week. By the time it closed on the evening of October 7, the conference had prepared and adopted the ISA draft. □

prices rise to 19 cents or above.

• **Stock financing.** Holders of special stocks will be eligible for interest-free loans (at the rate of 1.5 cents per pound per year) to defray the cost of storing the sugar. When prices rise to the stock release points, these loans will be subject to repayment. The funds for stock financing will be generated by means of a fee (initially established at 0.28 cents per pound or about $6.17 per metric ton), which will be applied to nearly all sugar traded in the free market.

The actual incidence of this fee will be subject to negotiation between buyer and seller. The International Sugar Organization (ISO) will issue certificates as the vehicle and proof of payment.

These certificates may be sold through agents such as commercial or state banks in both importing and exporting member countries. Importing members will assure that the fee is paid (as evidenced by presentation of a valid certificate at the time the sugar is cleared through customs) on all free market imports, whether from members or nonmembers. Exporting members will assure the fee is paid on all shipments to nonmembers.

• **Imports from nonmembers.** Importing members will undertake to limit their purchases from nonmembers as a group to 75 percent of a historical base level when prices are between 11 and 21 cents, and 55 percent when prices are below 11 cents. However, this limitation will not apply to purchases from the Republic of China (Taiwan). Imports from that country are to be held to a level equal to the amount imported during a representative historic period. All limitations on imports from nonmembers would be removed if prices rise above the ceiling fixed in the Agreement.

• **Small exporters.** Any exporting member that ships less than 70,000 metric tons per year will not have a fixed quota. Instead, that member may export up to that amount, and will not be subject to quota cuts (or additions), nor be required to put sugar into special stock (but it may do so on a voluntary basis). There will be marginal relief from stocking for those exporters with quotas between 70,000 and 180,000 tons. A hardship fund (authorization to ship sugar beyond an assigned quota level) is available to small exporters that temporarily find themselves in need to make larger shipments.

• **Duration.** Five years beginning January 1, 1978; it may be extended for an additional 2 years. □

Brazil and Japan Sign Agricultural Development Pact

Brazil and Japan have signed an agricultural development agreement under which each country will invest the equivalent of about $30 million in production of soybeans, corn, and wheat in selected areas of the Cerrados (a savanna region of highly acid soils) of Minas Gerais.

The Japanese Federation of Agricultural Cooperatives has supplied Brazil with a draft accord under which the Federation would purchase agricultural products from a group of Brazilian cooperatives. The accord, if signed, would become effective this year and initial purchases would be soybeans or soybean meal and corn.

In calendar 1976, Brazil exported to Japan 60,637 tons of corn, 124,908 tons of soybeans, and 71,290 tons of soybean meal. □

U.K. Lifts Ban on U.S. Pork

U.S. pork sales to the United Kingdom might approximate $10 million in the year ahead, thanks to the lifting September 13 of a 2-year-old ban on U.S. pork.

The United States exported about $3 million worth of pork to the United Kingdom in only 3 months of 1975 before an outbreak of hog cholera in this country closed down those sales.

The United States was declared cholera-free September 13, 1976, and the British reopened their borders to U.S. pork 1 year later, as provided by their law.

U.S. pork imports were also restricted by several Caribbean nations. Most of these countries have resumed imports of U.S. pork. The market potential for U.S. pork in the United Kingdom is mostly for variety meats, particularly kidneys, livers, and tongues.

The total export market for U.S. pork was about $300 million in 1976. Canada and Japan were the largest markets.

Until now, the only U.S. opportunity to recent years to develop the U.K. market was the short-lived period in 1975, which followed a long-term U.K. restriction based on hog cholera in the United States. □

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World Tobacco Demand Rising

World cigarette production and/or consumption grew 3 percent in 1976 to a record 4,080 billion pieces.

Cigarette output is expected to continue to trend upward in the next several years at about 2.5 percent annually, in line with past growth rates.

Actual tobacco usage in cigarettes may lag behind the increase in the number of pieces produced as manufacturers continue to improve their efficiency in utilization of raw leaf tobacco.

Increasing awareness of the health implications of smoking, consumer resistance to tax and price increases, and relatively stable populations growth are expected to temper the consumption rates in industrialized countries.

But above-trend growth is expected in Asian and Latin American countries as tobacco consumption in these areas continues to shift from roll-your-own toward factory-made cigarettes.

Global leaf production expanded 2 percent in 1976 to 5.48 million metric tons. Preliminary indicators point to a world crop in 1977 that will be little changed from last year's level.

A larger Canadian crop and continued expansion in Brazil are expected to be offset by a decline in Turkey's production, and an estimated 16 percent drop in U.S. production, resulting from a cut in the flue-cured quota and drought during the growing season.

Production in India, Japan, Greece, South Korea, and the Philippines may be up very little, if at all, from 1976 levels.

World trade in unmanufactured tobacco expanded in 1976 with exports growing by 3 percent, indicating some rebuilding of the stocks that were worked down in 1975.

The anticipated growth in consumption and efforts to maintain manufacturers' stock levels should lead to a small (1-3 percent) increase in world exports in 1977, although suppliers of relatively high-cost tobaccos, such as the United States and Canada, may not share in this growth.

The overall leaf supply situation in 1977 appears to be balanced reasonably with demand. Average prices for leaf tobacco are expected to increase only moderately in most of the major supplying countries. □

International Meetings—November

Date	*Organization and location*
Oct. 24-Nov. 4	FAO/UN Committee on Food Aid Policies and Programs, Rome.
Early November	U.S.-Polish Trade Commission, Warsaw.
2-3	U.S.-Romanian Economic Commission, Washington, D.C.
2-11	International Wheat Council (IWC) Preparatory Group Meeting, Washington.
7-8	U.S.-EC Bilateral Consultations, Washington, D.C.
7-10	OECD Working Conference on Advisory (Extension) Services, Paris.
7-Dec. 2	UNCTAD Negotiation Conference on a Common Fund, Washington, D.C.
8-10	FAO Council, Rome.
12-Dec. 1	FAO Conference, Rome.
21-25	OECD Fruit & Vegetable Scheme, Standardization of Fresh Fruit, Paris.
28-Dec. 2	IWC and Food Aid Committee Meetings, Washington, D.C.
29-30	U.S.-USSR Working Groups on Research and Technological Developments, Moscow.

Foreign Trade Teams in the United States

Date	*Organization*	*Purpose*
Oct. 18-Nov. 7	Foreign Cotton Spinners Organization—Orientation Program	To observe production and marketing of U.S. cotton.
Oct. 23-Nov. 14	Korean Feed Industry Team	To observe U.S. feedgrain situation from production and marketing to utilization.
Oct. 29-Nov. 12	French Wheat Trade Mission	To observe U.S. wheat production, marketing, and processing.
In November	Japanese Food Store Executives	Possible procurement of cattle for slaughter and beef.